



USAID | **ROMANIA**
FROM THE AMERICAN PEOPLE

Partnerships for Growth: From a Command Economy to Free Enterprise

The Challenge



Mangalia Shipyard, Braila
Privatized with USAID assistance

When Romanians overthrew the communists in 1989, they had to rebuild their economy. More than two generations had passed since the free market had existed in

Romania. Therefore, Romanians lacked the laws, regulations, regulatory agencies, stock markets, commercial banks, and the many

other requirements of a free market economy. In 1990, thousands of state-owned enterprises dominated the economy. Many of them were hugely inefficient and unprofitable. They had survived

for years through government subsidies. Many collapsed shortly after the revolution, putting people out of work. The new government had to create the environment for free enterprise and private

business to flourish. This had to be done as quickly as possible using democratic processes that also were not well understood.

If the Romanian economy was to become viable, it had to attract large amounts of new capital from foreign and domestic investors. To gain the confidence of these investors, Romania needed to establish transparent capital markets and shore up the banking sector. A truly free market must operate legally and fairly with appropriate monitoring and regulation.

The Response

Romanians worked with American advisors to open Romania for business. They created laws and regulations for free enterprise and private business to grow. They identified and analyzed bureaucratic requirements preventing or slowing growth. Government officials started to cooperate with the private sector to reduce these.

Business associations and trade organizations were introduced in Romania, demonstrating their vital role in open-

ing the market and providing a voice on public policy.

U.S. consultants worked closely with thousands of state-owned enterprises to prepare them for sale to private owners. They also collaborated to establish capital markets and rebuild the banking sector – critical elements in attracting new capital and gaining the confidence of investors. Local professionals took several months of intensive training in business and finance.

To help the development of small businesses, USAID sponsored lending programs. The Romanian-American Enterprise Fund, created in 1994, provided loans and services to businesses, raised capital from private and public sources to invest in the emerging private companies, fostered links between Romanian and American companies, and trained aspiring entrepreneurs in modern financial and business practices.

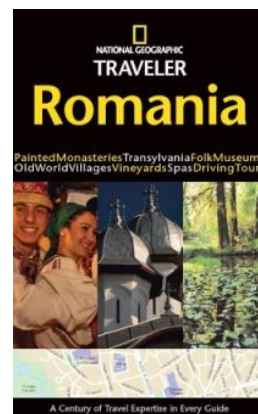
Independent regulatory bodies were established in various fields to help the market operate freely, legally and openly.



Packaging business expanded with a USAID loan

The Results

- Pro-market laws on freedom of information, micro-credit, business registration, information technology and asset disclosure for public employees have been implemented.
- By 2006, registration of new businesses took 11 days on average, rather than the 200 days required in 2000.
- More than \$100 million in loans were made to small- and medium-sized businesses creating 22,000 jobs and sustaining more than 85,000.
- Changes incorporated in the Fiscal Code save small businesses over \$10 million annually.
- Laws dealing with mortgages, mortgage banks, property repossession and debt securitization were passed with USAID assistance.
- Domenia Credit, the first mortgage company, was created with USAID assistance. In 2007, it was sold to GE Money. The mortgage market increased more than 10 fold from 2002 to 2006.
- Six rural tele-centers piloted the national network required to meet EU universal access to telephony conditions.
- Several e-governance and e-business projects were completed including: Giurgiu City Hall's Document Management and Tax Automation System that provides access to information and education for businesses and citizens; a Hospital Integrated Informatics System implemented in Targoviste; the Social Services Assistance Integrated System in Sibiu.
- The Center for Entrepreneurship and Executive Development now provides a full range of services to small businesses.
- The National Securities Commission, the Private Pension Commission, the Association of Securities Dealers were established with USAID assistance, and now play important roles in developing the financial markets.
- Two Public Utility Commissions were established.



National Geographic Society used a USAID grant to publish a Traveler Guide to promote tourism

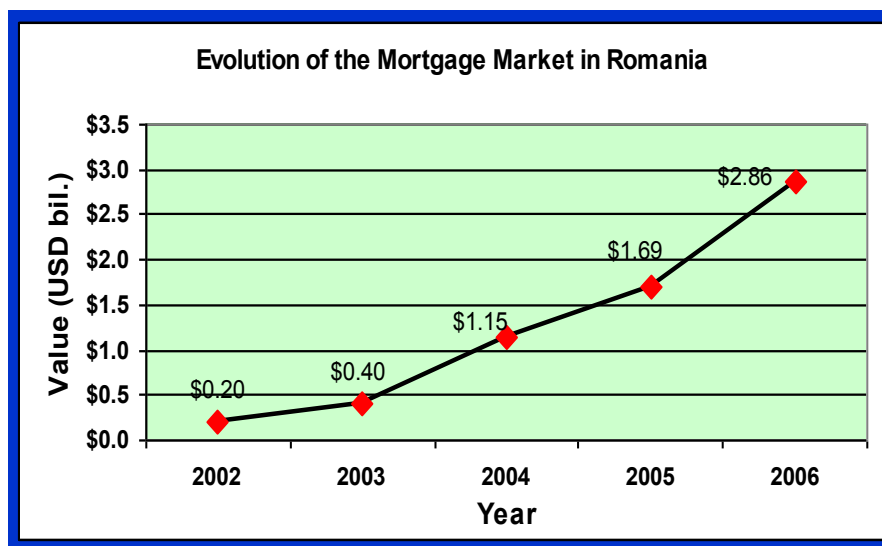


This small weaving business grew with USAID assistance



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